

CIRCULAR LETTER

Intended for

ALL COMMERCIAL CONVENTIONAL BANKS

IN INDONESIA

Regarding : Commercial Banks Business Plan

By the publishing of Bank Indonesia's Regulation Number 12/21/PBI/2010 dated October 19th 2010 about Bank Business Plan (Official Gazette of Republic of Indonesia Year 2010 Number 120, Additions to Official Gazette of Republic of Indonesia Year 2010 Number 5161), provisions of implementation concerning Commercial Banks Business Plan needs to be rearranged in a Bank Indonesia Circular Letter with the following main directives:

I. General

1. In order to reach the business target which based on the stated vision and mission, Banks have to arrange a business plan by observing the external and internal factors, prudential principles, application of risks management and sound Banking principles. The Business Plan has to be compiled carefully, realistically and comprehensively therefore showing the business complexity and becoming Bank policy direction and development direction.
2. Business Plan is a written document which portrays short-term Bank activity plan (one year) and medium length term (3 years), including the plan for increasing the performance along with the strategy to realize the plan according to the target and the appointed time, by observing the fulfillment

of prudential principles and risk management implementation. The compiling of the Business Plan is conducted by the Director and must obtain agreement from the Bank Board of Commissioners. Then, in order to implement business plan effectively, the Director must communicate the Business Plan to the shareholders and all employee at any organization level in the Bank.

3. A realistic Bank Business Plan (RBB) is needed by Bank Indonesia as the Monetary Authorities as one of the concern to determine the policies and to execute macroprudential surveillance.
4. In order that the compiling of Business Plan is conducted comprehensively, the coverage of Commercial Banks Business Plan that owns Islamic Business Unit (UUS) has to cover with consolidated manner the Business Plan for UUS as a unity. In this matter RBB for UUS is presented as a solitary part from Commercial Banks Business Plan.
5. Along with the compiling of RBB comprehensively as referred to in number 4, the Bank Business Plan Progress Report and Report of Supervision of Bank Business Plan that owns UUS has to cover in consolidation the Report for UUS as one integrated report.
6. The compiling of the Business Plan, the Bank Business Plan Progress Report and Report of Supervision of Bank Business Plan for UUS refers to the the Circular Letter that governs the applicable Business Plan for Islamic Commercial Banks and UUS.

II. THE COVERAGE AND ARRANGEMENT OF BUSINESS PLAN

In accordance to Article 5 of Bank Indonesia Regulation Number 12/21/PBI/2010, a Bank Business Plan covers at least the executive summary, policies and management strategy, application of risk management and Bank performance at the moment, the projection of the financial statement and the assumption used, projection on ratios and other certain posts, funding plan, fund investment plan, capital plan, organization and human resource development plan, plan of product issuance and/or conducting new activity, developing and/or alteration of office

networking and other information plan. The Business Plan coverage which is set by Bank Indonesia is the minimum therefore the Banks can expand the coverage along with their needs; by observing items as stated at number I above.

1. Executive Summary

This Executive Summary contains general explanation, both quantitative and qualitative, about last year's accomplishments, such as capital aspect, earnings, and risk assessment especially credit risk, market risk, and liquidity risk, along with the third party fund and financial ratio. In addition, the executive summary also contains Bank's business target in short term (1 year) until medium term (3 years)

Executive Summary is compiled with the format and minimum coverage as follows:

a. Bank Vision and Mission

This part describes the vision and mission which is Bank target in the future.

b. The Direction of Bank Policy

This Part describes the direction and policies of business development done by the Bank (short or medium term).

c. Strategic Steps which will be Undergone by the Bank

This part describes the strategic steps that the Bank will undergo to reach the vision and mission of the Bank based on the direction of Bank policy in the future.

d. Main Financial Indicator

Main Financial Indicator includes actual position (per position in September of the RBB arrangement year) and projection. Example table of RBB Main Financial Indicator year 2011 is as follows:

Indicator	Actual	Projection
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	Sept 2010	Dec 2010	Year 2011				Dec 2012	Dec 2013
			March	June	Sept	Dec		
Capital Adequacy Ratio (CAR)								
Tier 1 Capital Ratio to ATMR								
Tier 1 Leverage Ratio								
ROA								
NIM								
BOPO								
Ratio of non performing earning assets to total earning assets								
Ratio of allowance for impairment losses (CKPN) to earning asset								
NPL Ratio-Gross								
NPL Ratio-Net								
Ratio of Credit to Total Earning Asset								
Ratio of credit for UMKM to total credit								

Indicator	Actual	Projection			
		Dec	Year 2011		Dec

	Sept 2010	2010	March	June	Sept	Dec	2012	2013
Trading assets, spot and derivative bills and Fair Value Option Assets towards total asset								
Total liquid assets to short-term funding								
LDR								

e. Short and Medium term target

This part describes the target (focus) of Bank's business activity, both quantitative and qualitative, in short or medium term, along with the vision and mission of the Bank, the reason for target opting, the assumption used and strategy to reach the target.

Short-term target such as the declining level NPL target, increasing intermediary function, and increasing efficiency . Meanwhile, medium term such as the target of Islamic Banking Development and the target of Good Corporate Governance Application.

2. Policies and Management Strategy

This part contains the explanation about the policy and management strategy for the next 1 (one) year, which at least contains:

a. Analysis of Bank Position in Facing Business Competition

The description of Bank's position analysis in facing business competition covers information concerning Bank's position in the peer group or by industry, including information about problems and obstacles experienced by the Bank. In performing position analysis, the Bank uses certain approach with at least in the form of SWOT (Strengths, Weakness, Opportunities, and Threats) analysis.

b. Policy Statements

The description of management policy covers general information about Bank policies which is set by the management for Bank's business development in the future.

c. Risk Management and Compliance Policies

The description about risk management and compliance policies covers information of steps in applying risk management which is arranged based on the evaluation upon Bank risk profile and recovery attempts which will be performed along with the description about the policies in conducting compliance function.

d. Business Development Strategy

The description about business development strategy such as containing information about strategic steps to reach the appointed Bank business target, including explanation about organization development strategy and system information technology, and strategy to anticipate the changes of external condition.

e. Human Resource Development strategy and Remuneration Policies

The description about the remuneration policies at least covers the information concerning the general policies which organize salary distribution, benefits, and other financially related facilities to the Board of Commissioners and Director of the Bank, including employee.

3. The Application of Risk Management and Recent Bank Performance.

This part contains the explanation in both quantitative and qualitative way, concerning Bank condition at the time of arranging the Bank Business Plan and pointing the priorities that need attention or the encountered problem along with the outcomes reached by the Bank.

This section at least covers the description about:

a. The Application of Risk Management, including the risk profile for all risks

Description of the application of risk management includes evaluation and the application of risk management for an initial period of the year until the position of end of September the year of Bank Business Plan compilation.

Description of the risk profile assessment includes information of Bank assessment on the level and trend for all risks.

Procedures for risk profile compilation and evaluation on the implementation of the risk profile management is holding to Bank Indonesia provisions which governs the Implementation of Risk Management for Commercial Banks.

In this description also including the evaluation of the effectiveness and implementation outcomes of the legislation that govern Anti-Money Laundering and Combating The Financing of Terrorism Program (APU and PPT), and sets on Bank compliance function.

In explanation of the Bank compliance function, the compliance work plan for 1 (one) following year by referring to Bank Indonesia provisions governing Commercial Banks compliance function is also listed.

b. Implementation of Good Corporate Governance

Description of assessment of good governance implementation is in accordance with Bank Indonesia provisions concerning the implementation of good corporate governance for Commercial Banks.

c. Financial performance, especially Capital and Earning

Description of the Bank financial performance, including outcomes of action plan implementation in order to improve Bank performance (if any) as stipulated in Bank Indonesia provisions governing bank soundness rating assessment system for Commercial Banks.

Description of the performance of capital adequacy, and composition, as well as the ability of the Bank capital to cover the risk of non-performing assets, the ability of Bank to increase the capital from Bank operating profit, the ability of Bank capital to support business growth,

access to the capital sources, and the ability of shareholders to increase Bank capital.

Description of the Bank earning ratio performance includes achieving Return On Assets (ROA), Return On Equity (ROE), Net Interest Margin (NIM), the development and prospects of operating profit, Ratio of Operating Expenses to Operating Income (BOPO), and operating expenses ratio except the interest on the main activity revenue.

- d. The Realization of Credit to Micro, Small, and Medium Enterprise (UMKM)

Description of the realization of the credit giving reflects Bank role in supporting the development of UMKM.

Grouping of micro, small and medium enterprises refers to business criteria refers to the applicable legislations concerning Micro, Small and Medium Enterprise.

- e. Compliance Implementation to Sharia Principles

Description of compliance with Sharia principles is only applied to Commercial Banks that have UUS.

4. Financial Statement Projections

Projections of financial statements contain information about condition of Bank's actual financial position (the position in the end of September in the year of RBB compilation) and projections for the next 3 (three) years.

First-year projection is presented on a quarterly basis while the second and third year projections are presented on an annual basis (position at the end of the year).

This section also describes the macro and micro assumptions used in preparing the financial projections .

Macro assumptions are the level of economic growth and inflation rate, while the micro assumptions are the level of competition among Banks, the

Banking industry credit growth, and credit and deposits interest rate that are used in compiling the Bank Business Plan.

Projection of the financial statements are presented by referring to:

- a. Appendix 1 : Balance Sheet Projection
- b. Appendix 2 : Commitment and Contingency Projection
- c. Appendix 3 : Income Statement Projection
- d. Appendix 4 : Macro and Micro Assumptions Used

5. Projection of Ratios and Other Certain Posts

Ratios Projection contains financial ratios and other certain ratios. The actual position (the position of end of September in the year of RBB compilation) and projection for 1 (one) year period is presented on a quarterly basis, as follows:

a. Main Financial Ratios

The projection of the principal financial ratios includes ratios which at least be able to provide information about the capital condition, profitability, credit risk, market risk, and liquidity. The ratios projection includes KPM ratio, ROA ratio, NIM ratio, NPL ratio, current assets to total assets ratio, Loan to Deposit Ratio (LDR), and of trading assets, spot and derivative transactions, and Fair Value Option assets towards total assets ratio.

b. Other Certain Ratios

This projection includes the projection of several ratios related to loans to UMKM debtors, educational funding ratio, and ratio of unused fixed assets in Bank operating to the capital. In addition, certain posts that provide information regarding the fund raise and disbursement.

This projection is presented by referring to Appendix 5.

6. Funding Plan

Reflecting the actual fund raise position (position of end of September in the year of RBB compilation) and the fund raise plan for 1 (one) year period on a

quarterly basis. This part also explains about the assumptions used in compiling the plan meant as well as Bank strategies to realize the plan concerned.

This funding plan is presented by referring to:

- a. Appendix 6 : Third Party Fund Raising Plan
- b. Appendix 7 : Securities Issuance Plan
- c. Appendix 8 : Other Funding Plan

7. Fund Investment Plan

Reflecting the actual position of fund disbursement position (the position at the end of September in the year of RBB compilation) and the fund disbursement plan for 1 (one) year period in quarterly basis which is giving information about fund disbursement plan to the related party, and the detail of loan disbursement, including the plan of loan disbursement to certain business activity. The type of certain business listed in the details of loan disbursement reflects Bank focus on loan disbursement based on the prioritized business activity, and/or the significance of market share and the number of the debtors.

In this section the assumption used in compiling the concerned plan and Bank strategies to realize the concerned plan is described.

The funding plan is presented with references to:

- a. Appendix 9 : Plan of Fund Provision to the related party
- b. Appendix 10 (a) : Plan of Lending to Core Debtors
- c. Appendix 10 (b) : Plan of Lending based on Certain Business Activity
- d. Appendix 10 (c).1 : Plan of Lending based on Business Field
- Appendix 10 (c).2 : Plan of Lending based on Usage Type
- Appendix 10 (c).3 : Plan of Lending based on Provinces
- e. Appendix 10 (d).1 : Plan of Lending to UMKM Debtors based on Business Field

- Appendix 10 (d).2 : Plan of Lending to UMKM Debtors based on Usage Type
- Appendix 10(d).3 : Lending Plan to SME Debtors base on Provinces
- f. Appendix 11 : Fund Investment Plan in the form of Securities
- g. Appendix 12 : Fund Investment Plan in equity participation
- h. Appendix 13 : Other Fund Investment Plans.

8. Capital Plan

Capital plan at least covers:

- a. The fulfillment of Minimum Capital Adequacy Requirement (KPMM) projection

The projection of KPMM at least includes capital projection , Risk Weighted Assets (ATMR) Projection, and the projection of KPMM Ratio for the next 3 (three) years.

This KPMM fulfillment projection is presented by referring to Appendix 14.

- b. Capital Alteration Plan

The change of capital plan is the projection of capital change for the next 3 (three) years in both related capital structuring and capital amount.

The inclusion in the change of capital plan is the capital addition plan from the shareholders (existing shareholders), initial public offering plan, right issue, the equity-like securities issuance and other additions to capital plan, along with the description about the plan of change or the owner replacement (if any).

Changes of capital plan is presented by referring to Appendix 15.

9. Plan of Development in Organization and Human Resource (SDM)

In this section, information about organizational structure and the latest SDM condition, the ongoing plan of development in organization and SDM, as well as the plan of development in other related SDM for at least the next (1) one year contains as follows:

a. Organization Development Plan

Organization Development Plan includes the plan for the forming/ changing of work unit and or committee, which is adjusted to Bank capability, measurement, and complexity of business.

b. Information System Management Development plan

Information System Management Development Plan includes the development on information technology which supports information system of management and accounting system development plan, including the allocated budget for the related development plan.

c. The Development Plan of Human Resource

The development plan of human resource includes the plan of needs, education and human resource training along with the cost/educational and training budget for staff, Director and Bank Commissioners.

d. Foreign Labor Utilization and Outsourcing Plan

Foreign labor utilization plan includes the plan for utilizing foreign labor as governed by applicable Bank Indonesia provisions. The plan of utilization of outsourcing personnel which refers to the applicable legislation includes the plan of the number used and the placement of the concerned outsourcing personnel.

The Utilization of Foreign Labor Plan is presented by referring to Appendix 16.

10. Product Issuance and /or New Activity Plan

The plan for product Issuance and/or new activity which are obliged to be listed in the Bank Business Plan are the product and/or new activity which has never been published or conducted by the Bank before as governed in Bank Indonesia provisions which governs risk management implementation for Commercial Bank and product or new activity reporting. In this section

the plan of product issuance or new activity implementation in 1 (one) year ahead is described.

The Product Issuance and /or New Activity Plan is presented by referring to Appendix 17.

11. The Development and/or Alteration of Office Networking Plan

The development and/or alteration of office networking plan covers the opening plan, status changes, change of address, and/or the closing which includes regional offices, branch offices, sub-branch offices, functional offices, cash offices, cash service activities and/or overseas offices for the next 1 (one) year period.

The information which is contained with the development and/or alteration of office networking plan including information about the main office, plan of implementation time, cost/investment estimation, location and other descriptions.

Information regarding location for every type of office, at least include the regency/municipality location clearly, and for DKI Jakarta at least stating DKI Jakarta Province.

Especially for the overseas offices, name of the city and country should be included.

The Development and/or Alteration of Office Networking Plan is presented by referring to Appendix 18.

12. Other Information

Other information contains other plans which are needed to be explained (if any), but not included in the coverage of Business Plan which has been stated from number 1 until number 11, which are steps on non-performing credit settlement including foreclosed (AYDA), fixed unused assets in Bank operation, development of Bank service and/or linkage program.

Service Development includes information of development plan for the medium or information media to customers, the plan for electronic devices development for customers need and customer protection.

The information coverage contained in customer protection includes education activity plan and the improvement plan of customer complaint service system.

The meaning of foreclosed collateral (AYDA) refers to the AYDA governed by Bank Indonesia provisions about the assessment of earning asset quality of Commercial Banks.

III. BUSINESS PLAN PROGRESS AND SUPERVISION REPORT

1. In accordance to Article 20 of Bank Indonesia Regulation Number 12/21/PBI/2010, the Report of Business Plan Progress must be submitted by Banks in a quarterly basis, which are for position of March, June, September and December. The report referred to at least covers :
 - a. explanation about the Business Plan achievement including the focus and priority of Business Plan achievement along with the comparison between the plan and the reality.
 - b. explanation about deviation upon the Business Plan realization, such as the causes and obstacles experienced.
 - c. the follow up or attempts that will be done to fix the achievement of Business Plan realization
 - d. financial ratio and other posts
 - e. other information which contains the explanation about the realization issues apart from what is described at letter a to letter d, covering the report of the realization of office networking and foreign worker realization report.

Business Plan Progress Report is generally presented by referring to

- a. Appendix 19 (a) : Business Plan Progress Report;
- b. Appendix 19 (b) : Report of Financial Ratio Realization and Certain Posts;

- c. Appendix 19 (c) : Report of Realization of Development and/or Alteration of Office Networking;
 - d. Appendix 19 (d) : Report of Foreign Worker Realization;
2. In Accordance to Article 4 of Bank Indonesia Regulation Number 12/21/PBI/2010, the Board of Commissioners must conduct supervision on the Business Plan implementation. The supervision result will later be depicted in the Report of Supervision to Bank Business Plan as an obligatory deeds in Article 21 of Bank Indonesia Regulation. The coverage in the report that is compiled by the Board of Commissioners at least covers assessment of:
- a. the Business Plan implementation in both Quantitative and Qualitative Aspects towards Business Plan Progress;
 - b. factors that generally affect the Bank Performance, especially the related capital factor, earnings, Bank Risk Profile especially credit risk, market risk, and liquidity risk;
 - c. efforts to improve Bank Performance in the case from the assessment result as referred to at letter b above happen to be a performance decline.

The Assessment of the Board of Commissioners from letter a to letter c can be completed with the assessment upon external factors which affect Bank operating.

In the relation to this Board of Commissioners task, the Bank must have an internal mechanism within the framework of compiling the concerned report above.

The Business Plan Supervision Report is presented by referring to Appendix 20.

IV. THE CALCULATION OF STATEMENT SUBMISSION PERIOD AND FINANCIAL PENALTY

1. Referring to Article 22 and Article 23 of Bank Indonesia Regulation Number 12/21/PBI/2010, the Bank is stated as late in submitting the Business Plan,

Business Plan adjustment, Business Plan Progress Report, and/or Report of Supervision to Bank Business Plan if:

- a. Bank submits the Business Plan, Business Plan Progress Report, and/or Report of Supervision to Bank Business Plan after the deadline of submission period with the latest of 30 (thirty) working days; and/or
- b. Bank submits the Business Plan adjustment after the deadline of the submission the latest of 15 (fifteen) working days.

Banks are stated not submitting the Business Plan, Business Plan adjustment, Business Plan Progress Report, and/or Report of Supervision to Bank Business Plan if until the end of the delay deadline, Banks have not submitted the report concerned.

2. Referring to Article 27 paragraph (1) of Bank Indonesia Regulation Number 12/21/PBI/2010, Banks that are late in submitting:

- a. Business Plan or the adjustment;
- b. Business Plan Progress Report;
- c. Report of Supervision to Bank Business Plan

are each imposed financial penalty as much as Rp. 1.000.000,00 (one million rupiah) per working day of delay.

3. Referring to article 27 paragraph (2) Banks that are stated not submitting :

- a. Business Plan or the adjustment;
- b. Business Plan Progress Report;
- c. Report of Supervision to Bank Business Plan

are each imposed financial penalty as much as Rp. 50.000.000,00 (fifty million rupiah).

4. The example of the delay submission period and financial penalty for submission of Business Plan year 2012, is as follows:

- a. Saturdays and Sundays in December 2011 and January 2012 falls on the 3rd and the 4th, the 10th and 11th, the 17th and 18th, the 24th and 25th, 31st December 2011 and 1st January 2012, along with the 7th and 8th, the 14th and 15th, the 21st and 22nd, the 28th and 29th January 2012. National Holiday is assumed to fall on the 7 December 2011.

- b. If the Business Plan year 2012 is delivered by the Bank on the December 14th 2011, then the Bank is stated as late in submitting the Business Plan Report in 9 working days, which is dated from 1st December 2011 until 14th December 2011, not to mention the 5-day holiday (on the 3rd, 4th, 7th, 10th and 11th December 2011). In this case the Bank will be charged with the financial penalty as governed in Article 27 paragraph (1) PBI as much as 9 x Rp. 1.000.000,00 (one million rupiah).
 - c. If the Business Plan year 2012 is delivered by the Bank on the 27th January 2012, then the Bank will be stated as not submitting because the Bank submits the Business Plan report exceeding the 30 working days after the submission deadline (the end of November 2011) which falls on 12th January 2012. In this case the Bank will be imposed financial penalty as referred to in Article 27 paragraph (2) PBI as much as Rp. 50.000.000,00 (fifty million rupiah)
5. The example of Calculating the delay period and financial penalty as for the submission of Business Plan report at number 4 above can be used as a reference in calculating the delay period and financial penalty upon the submission of Business Plan adjustment, Business Plan Progress Report and Report of Supervision to Bank Business Plan.

V. MISCELLANEOUS

The appendix on the Bank Indonesia Circular Letter is an example to organize Business Plan year 2012. For the next period of Business Plan, the noted year is supposed to be adjusted.

The appendices are inseparable parts of this Bank Indonesia Circular Letter.

VI. CONCLUSION

With the enactment of this Bank Indonesia Circular Letter then Bank Indonesia Circular letter Number 6/44/DPNP date 22 October 2004 concerning the Commercial Banks Business Plan revoked and stated invalid,

except Chapter III concerning the Report of Progress and Business Plan Supervision remains valid until the end of the business plan realization reporting and business plan supervision reporting of year 2010.

Regulations in this Bank Indonesia Circular Letter are valid as of October 25th 2010.

So as to inform every person concerned, dictating the placement of this Regulation of Bank Indonesia in the Official Gazette of the Republic of Indonesia.

Thus for Your acknowledgement.

BANK INDONESIA,

WIMBOH SANTOSO
DIRECTOR OF BANKING
RESEARCH AND REGULATION